

## HISTORIC PROPERTIES IMPROVEMENT LOAN INSUR- ANCE ACT OF 1978

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SEPTEMBER 20, 1978.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

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Mr. REUSS, from the Committee on Banking, Finance and Urban  
Affairs, submitted the following

### REPORT

[To accompany H.R. 12900]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking, Finance and Urban Affairs, to whom was referred the bill (H.R. 12900) to provide for additional assistance for the preservation of historic structures under title I of the National Housing Act, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment (stated in terms of the page and line numbers of the introduced bill) is as follows:

Page 1, strike out line 11 and all that follows through line 17 on page 2, and insert in lieu thereof the following:

Register of Historic Places, or which are determined by the Secretary of the Interior as meeting the criteria for placement on the National Register of Historic Places, or which are located in a registered historic district. The term 'registered historic district' means (A) any district listed in the National Register of Historic Places, or (B) any district which is designated under a statute of the appropriate state or local government if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purposes of preserving and rehabilitating buildings of historic significance to the district. The term 'preservation' means restoration or rehabilitation of an historic structure consistent with the historic character of such property or the district in which such property is located.

## INTRODUCTION

The Committee on Banking, Finance and Urban Affairs, by unanimous voice vote, favorably reported H.R. 12900, as amended, on September 7, 1978. The bill provides for additional assistance for the preservation of historic structures under title I of the National Housing Act.

## HISTORY

H.R. 12900, entitled the "Historic Properties Improvement Loan Insurance Act of 1978," was introduced in the House of Representatives by Congressman Fauntroy, chairman of the Subcommittee on Historic Preservation and Coinage of the Committee on Banking, Finance, and Urban Affairs, on May 31, 1978. The bill was cosponsored by all the members of the subcommittee: Mr. Pattison, Ms. Oaker, Mr. Barnard, Mr. Mattox, Mr. Leach, and Mr. Evans of Delaware. Other cosponsors included Mr. Gephardt, Mr. Seiberling, and Mrs. Spellman.

On May 24, 1977, the subcommittee on Historic Preservation and Coinage began a series of hearings entitled "An Adequate Loan Program for Historic Resources." After this series of hearings, the Department of Housing and Urban Development published in the Federal Register the final regulations for this insured loan program. The hearings continued on June 29, and July 27, 1977, and March 20, 1978. Witnesses from both the public and private sectors and from local, State, and Federal agencies testified before the subcommittee.

## LEGISLATIVE BACKGROUND

The Emergency Home Assistance Purchase Act of 1974 was signed into law by President Ford on October 18, 1974. Its aim was to help stimulate the economy by increasing the available credit for housing. Title I of the act included an amendment to the National Housing Act, which authorizes the Federal Housing Administration (FHA) to make home improvement loans up to \$15,000 for residential properties listed on the National Register of Historic Places or which are declared eligible for listing on the register by the Secretary of the Interior.

The effect of that amendment was to raise the limit on FHA title I home improvement loans for these properties from \$10,000 to \$15,000. The maximum loan repayment period was also extended to 15 years and 32 days. Many lenders had traditionally been reluctant to make loans on older properties. As a result, owners of older dwellings often experienced difficulty securing credit for needed repairs. To remedy this situation, authorization for FHA to insure home improvement loans on older historic properties was first proposed by the executive branch as early as 1971. This loan program was seen as a means to encourage revitalization of older areas and to stimulate the economy.

Under the current insured loan program, loans of up to \$15,000 per dwelling unit, not to exceed \$45,000 per structure, may be borrowed with up to 15 years to repay. These loans are made at the prevailing market interest rate, not to exceed 12 percent. All eligible properties must be listed on, or determined to be eligible for, the National Register of Historic Places, whether individually or as part of a district. Not more than 20 percent of the floor space of an eligible property may be used for nonresidential or commercial purposes.

At the subcommittee hearings, each witness testified that the existing loan program is inadequate. Most of these witnesses suggested an increased loan limit from the current \$15,000 level and cited the need for commercial buildings and shops to qualify for the insured loan program.

#### WHAT THE BILL WOULD DO

H.R. 12900 would broaden the existing title I of FHA property improvement loan program for historic properties. The bill amends title I of the National Housing Act to allow the historic preservation loan program to be used for the preservation of commercial as well as residential property. It also expands the definition of an historic structure.

The bill defines the term "historic structure" to include structures either listed in the National Register of Historic Places or certified by the Secretary of the Interior as being of historic significance to the historic district in which it is located.

A registered historic district is defined to be either a district listed in the National Register of Historic Places or a district which is designated under an appropriate State or local statute and approved and certified by the Secretary of the Interior as meeting substantially all the requirements for districts listed in the National Register.

The bill makes further changes in the title I historic preservation loan program. First, the loan amount is increased from \$15,000 to \$35,000 per unit. Second, the Secretary of Housing and Urban Development, in consultation with the Secretary of the Interior, may, where necessary, increase this limit to \$50,000 per unit in areas of higher cost. Finally, the maximum term of such a loan is increased from 15 to 25 years.

#### STATEMENTS MADE IN ACCORDANCE WITH HOUSE RULES

In accordance with clauses 2(1)(2)(B), 2(1)(3), and 2(1)(4) of rule XI and clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statements are made:

#### COMMITTEE VOTE (RULE XI, CLAUSE 2(1)(2)(B))

H.R. 12900 was favorably reported unanimously, by voice vote, on September 7, 1978.

#### OVERSIGHT FINDINGS (RULE XI, CLAUSE 2(1)(3)(A) AND RULE X, CLAUSE (b)(1))

Congress enacted the emergency housing assistance program in 1974, title I permitted FHA to make home improvement loans of up to \$15,000 for residential properties listed or eligible to be listed on the National Register of Historic Places.

The Subcommittee on Historic Preservation and Coinage held hearings on An Adequate Loan Program for Historic Resources on May 24, 1977, June 29 and July 27, 1977, and March 20, 1978. Testimony was heard from both public and private witnesses. The committee finds that this legislation is necessary to insure that adequate resources are available for the preservation of historic resources.

ESTIMATE OF COSTS TO BE INCURRED (RULE XIII, CLAUSE 7(a)(1))

The committee estimates that no additional costs will be incurred as a result of the enactment of this legislation.

COST ESTIMATE OF THE CONGRESSIONAL BUDGET OFFICE PURSUANT TO SECTION 403 OF THE CONGRESSIONAL BUDGET ACT OF 1974 (RULE XI, CLAUSE 2(1)(3)(C))

The Congressional Budget Office has submitted the following report:

CONGRESSIONAL BUDGET OFFICE,  
U.S. CONGRESS,  
Washington, D.C., September 12, 1978.

HON. HENRY S. REUSS,  
*Chairman, Committee on Banking, Finance and Urban Affairs, U.S.  
House of Representatives, Rayburn House Office Building,  
Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 12900, the Historic Properties Improvement Loan Insurance Act of 1978, as ordered reported by the House Committee on Banking, Finance and Urban Affairs, September 7, 1978. This bill would provide additional assistance for the preservation of historic structures under title I of the National Housing Act. Based on this review, it appears that no additional cost to the federal government would result from enactment of this bill.

Title I of the National Housing Act authorizes the Secretary of HUD to insure loans made to finance improvements to existing structures. Under current law, insured loans made to assist the preservation of historic structures cannot exceed \$15,000 per family unit and 15 years 32 days term to maturity. The proposed legislation would increase these limits to \$35,000 per family unit and 25 years, 32 days term to maturity. The bill also includes provisions for larger loans in high-cost areas.

HUD is authorized to charge a premium based on the net proceeds of the loan for Title I insurance. In the past, the premiums collected have more than offset program losses. It is expected that, if the bill were enacted, the increased premium income would offset the risks associated with larger loans and longer terms.

Should the committee so desire, we would be pleased to provide further details.

Sincerely,

ALICE M. RIVLIN, *Director*.

INFLATIONARY IMPACT STATEMENT (RULE XI, CLAUSE 2(1)(4))

The committee believes that enactment of this legislation will have no inflationary impact.

SUMMARY OF THE BILL

H.R. 12900 broadens title I of the National Housing Act to permit the historic preservation loan program to be used for the preservation of commercial as well as residential properties. The bill also expands

the definition of a historic structure to mean a structure either listed in the National Register of Historic Places or certified by the Secretary of the Interior as being of historic significance to the district in which it is located.

H.R. 12900 redefines a registered historic district to mean either a district listed in the National Register of Historic Places or one which has been designated under an appropriate State or local statute and approved and certified by the Secretary of the Interior as meeting substantially all the conditions for districts listed in the National Register.

The bill also increases loan amounts available under the historic preservation loan program from \$15,000 to \$35,000 per unit. Furthermore, the Secretary of Housing and Urban Development, after consulting with the Secretary of the Interior, may increase the limit to \$50,000, where necessary, in high cost areas. H.R. 12900 also increases the maximum term of a loan under this program from 15 to 25 years.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

#### SECTION 2 OF THE NATIONAL HOUSING ACT

#### TITLE I—HOUSING RENOVATION AND MODERNIZATION

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#### INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a) The Secretary is authorized and empowered upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which the Secretary finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them on and after July 1, 1939, and prior to October 1, 1978, for the purposes of (i) financing alterations, repairs, and improvements upon or in connection with existing structures, or mobile homes and the building of new structures, upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, hurricane, cyclone, flood, or other catastrophe), by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit; and for the purpose of (ii) financing the purchase of a mobile home to be used by the owner as his principal residence or financing the purchase of a lot on which to place such home and paying expenses reason-

ably necessary for the appropriate preparation of such lot, including the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad, or financing only the acquisition of such a lot either with or without such preparation by an owner of a mobile home; and for the purpose of financing the preservation of historic structures], and, as used in this section, the term "historic structures" means residential structures which are registered in the National Register of Historic Places or which are certified by the Secretary of the Interior to conform to National Register criteria; and the term "preservation" means restoration or rehabilitation undertaken for such purposes as are approved by the Secretary in regulations issued by him, after consulting with the Secretary of the Interior.]. *The term "historic structures" means structures which are listed in the National Register of Historic Places, or which are determined by the Secretary of the Interior as meeting the criteria for placement on the National Register of Historic Places, or which are located in a registered historic district. The term "registered historic district" means (A) any district listed in the National Register of Historic Places, or (B) any district which is designated under a statute of the appropriate state or local government if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purposes of preserving and rehabilitating buildings of historic significance to the district. The term "preservation" means restoration or rehabilitation of an historic structure consistent with the historic character of such property or the district in which such property is located.*

\* \* \* \* \*

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$15,000, except that an obligation financing the purchase of a mobile home may be in an amount not exceeding \$16,000 (\$24,000 in the case of a mobile home composed of two or more modules); (2) if such obligation has a maturity in excess of fifteen years and thirty-two days, except that such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes: *Provided*, That an obligation financing the purchase of a mobile home may have a maturity not in excess of fifteen years and thirty-two days (twenty-three years and thirty-two days in the case of a mobile home composed of two or more modules); or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purposes of this title: *Provided*, That any such obligation with respect to which insurance is granted under this section on or after sixty days from the date of the enactment of this proviso shall bear interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds thereof as does not exceed \$2,500, equivalent to \$5.50 discount per \$100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion

of the net proceeds thereof in excess of \$2,500, equivalent to \$4.50 discount per \$100 of original face amount of such a note: *Provided further*, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calculations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: *Provided further*, That insurance may be granted to any such financial institution with respect to any obligation not in excess of \$25,000 nor an average amount of \$5,000 per family unit and having a maturity not in excess of twelve years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or dwelling for two or more families: *Provided further*, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection. Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home, extended health care facility, intermediate health care facility, or other comparable health care facility may involve such principal amount and have such maturity as the Secretary may prescribe.

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A loan financing the preservation of a historic structure shall—

(1) involve an amount not exceeding **[\$15,000 per family unit]**; *\$35,000 per unit; except that such amount may be increased to \$50,000 in any geographical area where the Secretary, in consultation with the Secretary of the Interior, determines such an increase is necessary because of the cost levels in such area and*

(2) have a maturity not exceeding **[fifteen]** *twenty-five* years and thirty-two days.

Because of prevailing higher costs, the Secretary may, by regulation, in Alaska, Guam, or Hawaii, increase any dollar amount limitation on mobile homes or mobile home lot loans contained in this subsection by not to exceed 40 per centum.

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